

701—107.5(422B) Single contracts for taxable services performed partly within and partly outside of an area of a county imposing the local option service tax.

107.5(1) If a contract for a taxable service is substantially performed partly within and partly without the areas of a county imposing a local option service tax, it will be presumed that all of the contract is performed within the area of the county imposing the tax unless that portion of the service not subject to tax is separately stated, separately billed, and is reasonable in amount. For purposes of the examples in this subrule, assume that the whole of Polk County imposes a local option service tax, but Jasper County and Boone County do not.

EXAMPLE 1. “Painting” is a taxable enumerated service. Mrs. Pauley owns three houses, one each in Polk, Jasper, and Boone Counties. Pelz Painting Service contracts with Mrs. Pauley to paint all three houses for \$6,000. The contract specifically states that \$2,000 of this amount is to be paid for painting the Polk County house. The houses are all approximately equal in size. Since the amount paid for painting the Polk County house is separately stated, separately itemized, and reasonable in amount, Polk County local option sales tax is due upon the \$2,000 amount only.

EXAMPLE 2. “Tangible personal property rental” is a taxable enumerated service. Assume that Kim’s Tree Trimming Company rents a machine from Bob’s Rent-All. The rental contract states that a machine will be rented for three months for \$6,000 and that \$5,500 of this amount is paid for rental of the machine in Jasper County and \$500 of this amount for rental of the machine for use in Polk County. After investigation, it is learned that during a three-month period of the rental contract the machine was used for one week in Jasper County and for two months, three weeks and two days in Polk County. The amount paid for use of the machine in Polk County is separately stated and separately itemized; however, it is not reasonable in amount. Local option sales tax would be due on some greater amount than \$500.

EXAMPLE 3. Sam Shovel runs a detective agency. He is hired by Mrs. Lane to conduct an investigation. Over the course of a month Mr. Shovel conducts the investigation partly in Polk, partly in Jasper, and partly in Boone County. The investigation involves travel, examination of documents, surveillance, interviews, and conducting chemical tests on various pieces of material. It is virtually impossible to fairly apportion the amounts of the final bill which are attributable to Polk, Jasper, and Boone Counties, respectively. Unless Sam Shovel can prove that the amount of his activity attributable to Polk County is inconsequential or insubstantial, the entire amount of his final bill to Mrs. Lane is subject to Polk County local option service tax.

107.5(2) Reserved.